



2021-22 First Interim Budget

Board Meeting
December 16, 2021
Agenda Item No. 9.2

Budget Presentation Agenda

- Financial Reporting Requirements & District's Fiscal Status
- Budget Changes since 2021-22 Adopted Budget
- Multi-Year Projections
- Budget Calendar
- FCMAT Matrix Update
- COVID Funding Sources
- Summary & Approve the 2021-22 First Interim Budget

California School District Financial Reporting Requirements

- Education Code 42130 – Requires school districts to file their fiscal condition for TWO reporting periods, October 31 and January 31, including projections of the budget through June 30.
- Education Code 42131 – Requires the Board of Education to certify, based on current projections, whether or not the school district is able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- Education Code 33127 – Requires a district that has received a qualified or negative certification of its interim report(s) to file a third report as of April 30



District's Fiscal Status

- District 2021-22 Adopted Budget conditionally approved by SCOE
 - The District must approve a Fiscal Recovery plan by December 15, 2021 to address the on-going structural deficit
- 2021-22 First Interim Qualified Certification
 - Approved Fiscal Recovery Plan
 - Structural deficit of **(\$19.5M)** in 2022-23 and **(\$26.2M)** in 2023-24
 - Cash Flow continues to diminish rapidly
 - Enrollment Decline
 - Unsettled negotiations for both certificated and classified bargaining units
 - Proposed State Budget
 - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
 - Stay and Rescind Authority

Summary of Changes

2021-22 First Interim Report

- Unrestricted revenues increased by \$5.7M
- Restricted revenues increased by \$146.7M
- 1X Unrestricted expenditure savings & budget adjustments decrease of \$11M
- Restricted expenditures increased by \$136.8M due to budgeting for CARES/COVID funds and other carryover funds
- Contributions decreased by \$3.2M due to increase in special education funding

Summary of Changes

2021-22 First Interim Report

- Cash Flow positive through June 2022
- Multi-Year Projections will meet the required 2% reserve for the current year and two subsequent years
- Unrestricted deficit spending not eliminated, **(\$19.5M)** in 2022-23 and **(\$26.2M)** in 2023-24
- Need Fiscal Recovery plan which includes a negotiated solution to achieve sufficient on-going reductions

2021-22 First Interim Financial Report Compared to 2021-22 Adopted Budget

2021-22 First Interim Budget			
Description	Unrestricted	Restricted	Combined
Total Revenue	449,170,674	262,174,633	711,345,307
Total Expenditures	343,336,286	372,410,463	715,746,748
Excess/(Deficiency)	105,834,389	(110,235,830)	(4,401,442)
Transfers in/(out)	2,050,301	0	2,050,301
Contributions to Restricted	(94,944,460)	94,944,460	0
Net increase/(Decrease)	12,940,230	(15,291,370)	(2,351,141)
Add: Beginning Balance	103,708,114	22,198,603	125,906,717
Ending Balance	116,648,344	6,907,233	123,555,577

2021-22 Adopted Budget			
Description	Unrestricted	Restricted	Combined
Total Revenue	443,805,897	115,463,179	559,269,075
Total Expenditures	354,357,299	235,619,426	589,976,725
Excess/(Deficiency)	89,448,598	(120,156,248)	(30,707,650)
Transfers in/(out)	2,050,301	0	2,050,301
Contributions to Restricted	(98,193,763)	98,193,763	0
Net increase/(Decrease)	(6,694,864)	(21,962,485)	(28,657,349)
Add: Beginning Balance	103,708,114	22,198,603	125,906,717
Ending Balance	97,013,250	236,119	97,249,369

Changes Since 2021-22 Adopted Budget

	Changes since 2021-22 Adopted Budget		
	Unrestricted	Restricted	Combined
Revenue			
General Purpose	5,260,231	0	5,260,231
Federal Revenue	0	131,970,353	131,970,353
State Revenue	0	12,665,014	12,665,014
Local Revenue	104,546	2,076,087	2,180,634
Total Revenue	5,364,777	146,711,454	152,076,231
Expenditures			
Certificated Salaries	(3,210,339)	8,467,916	5,257,578
Classified Salaries	(132,242)	4,585,196	4,452,954
Benefits	(2,991,964)	6,848,520	3,856,557
Books and Supplies	230,368	48,355,868	48,586,236
Other Services & Oper. Expenses	(1,605,768)	53,449,706	51,843,937
Capital Outlay	40,467	11,551,106	11,591,573
Other Outgo 7xxx	0	0	0
Transfer of Indirect 73xx	(3,351,535)	3,532,724	181,189
Total Expenditures	(11,021,013)	136,791,037	125,770,023
Deficit/Surplus	16,385,791	9,920,418	26,306,208
Contributions to Restricted	3,249,303	(3,249,303)	0
Net increase (decrease) in Fund Balance	19,635,094	6,671,115	26,306,208
Revolving/Stores/Prepaid	79	0	79
Reserve for Econ	2,322,010	0	2,322,010
Restricted Programs	0	(4,228,494)	(4,228,494)
Unappropriated Fund Balance	17,313,004	10,899,609	28,212,613

2021-22 First Interim Changes in Current Year Unrestricted Revenues

- Increase in projected LCFF Revenue of \$5.3M
 - Increase of concentration grant from 50% to 65%
 - Offset by lower unduplicated percentage 72% to 68%
- Increase in Local revenue by \$105K primarily due to school donations

2021-22 First Interim Changes in Current Year Unrestricted Expenses

- Decrease in Salaries and Benefits - \$6.3M 1X savings/adjustments
- Decrease in Supplies & Services - \$1.4M 1X savings/adjustments
- Capital Outlay increase of \$40K
- Indirect Costs increase of \$3.4M due to restricted program adjustments
- Decrease in Contributions - \$3.25M
 - Increased state revenue for Special Education

2021-22 First Interim Changes in Current Year Restricted Revenues

- Increase in projected Federal Revenue - \$132M
 - Due to budgeting CARES/COVID funds and 1x carryover
- Increase in projected State Revenue - \$12.7M
 - Due to budgeting CARES/COVID funds and 1x carryover
- Increase in projected Local Revenue - \$2.1M
 - Due to budgeting 1x carryover
- Decrease in Contributions of \$3.25M
 - Increased funding (AB602) for Special Education

2021-22 First Interim Changes in Current Year Restricted Expenses

- Increase in Salaries and Benefits - \$19.9M
- Increase in Supplies & Services - \$101.8M
- Capital Outlay increased by \$11.6M
- Indirect Costs increase of \$3.5M to align to added expenditures

The majority of the restricted expenditures due to budgeting for ESSER II & III funds and 2020-21 carryover related to other federal, state and local grants

Multi-Year Projection Assumptions

Unrestricted Revenues

- 2022-23 Projected 2.48% COLA for LCFF
 - Funded ADA of 35,689
- 2023-24 Projected 3.11% COLA for LCFF
 - Funded ADA of 35,510
- Enrollment adjusted from 2021-22 CBEDS projection of 38,044, lower than projection of 39,703
 - Projections for 2022-23 and 2023-24 are projected at a .5% decline

Restricted Revenues

- 2022-23 Remove 1X COVID-19 Funds, Expiring Programs like SIG, & Carryover
- 2023-24 add additional ESSER III funds for \$671K

Multi-Year Projection Assumptions

Unrestricted Expenditure Changes for 2022-23 and 2023-24

- Certificated salaries adjust by 1.5% each year for step/column, adjustments made for \$3.2M for adding back 1x savings and a decrease of \$5.1M for a projected decrease in FTE for 1,850 enrollment decline in FY 22-23
- Classified salaries adjust by 0.8% for step/column, \$132k for adding back 1x savings in FY 22-23
- Benefits adjust each year for STRS/PERS increases, 8% for health/welfare benefits, and add back of \$3M 1x interim savings for FY 22-23
- Supplies and Services adjustments for each year include the projected decrease in LCAP supplemental/concentration actions for FY 22-23 and then an increase in FY 23-24 offset by 1x interim budget savings
- Indirect costs decrease due to removal of 1x or expiring grants

Multi-Year Projection Assumptions

Restricted Expenditure Changes for 2022-23 and 2023-24

- Certificated salaries adjust by 1.5% for step/column each year, projected increases for Special Education staffing and offset by the removal of 1x expenses for expiring grants
- Classified salaries adjust by 0.8% for step/column each year, projected increases for Special Education staffing and offset by the removal of 1x expenses for expiring grants
- Benefits adjust each year for STRS/PERS, 8% for health/welfare benefits, and the removal of 1x expenses for expiring grants
- Supplies and Services adjust each year due to the removal of 1x expenses for expiring grants and offset by projected increases in Special Education supplies and services
- Capital Outlay and Indirect costs decrease for the removal of 1x expenses for expiring grants

General Fund Multi-Year Projections

Description	Proposed 2021-22	Projected 2022-23	Projected 2023-24
Total Revenues	711,345,307	597,075,014	606,905,302
Total Expenditures	715,746,748	618,584,156	635,156,851
Excess/(Deficiency)	(4,401,442)	(21,509,142)	(28,251,549)
Other Sources/Uses	2,050,301	2,050,301	2,050,301
Net Increase/(Decrease)	(2,351,141)	(19,458,841)	(26,201,248)
Add: Beginning Fund Balance	125,906,717	123,555,577	104,096,736
Ending Fund Balance	123,555,577	104,096,736	77,895,487

The target to eliminate deficit spending is **\$26.2M**

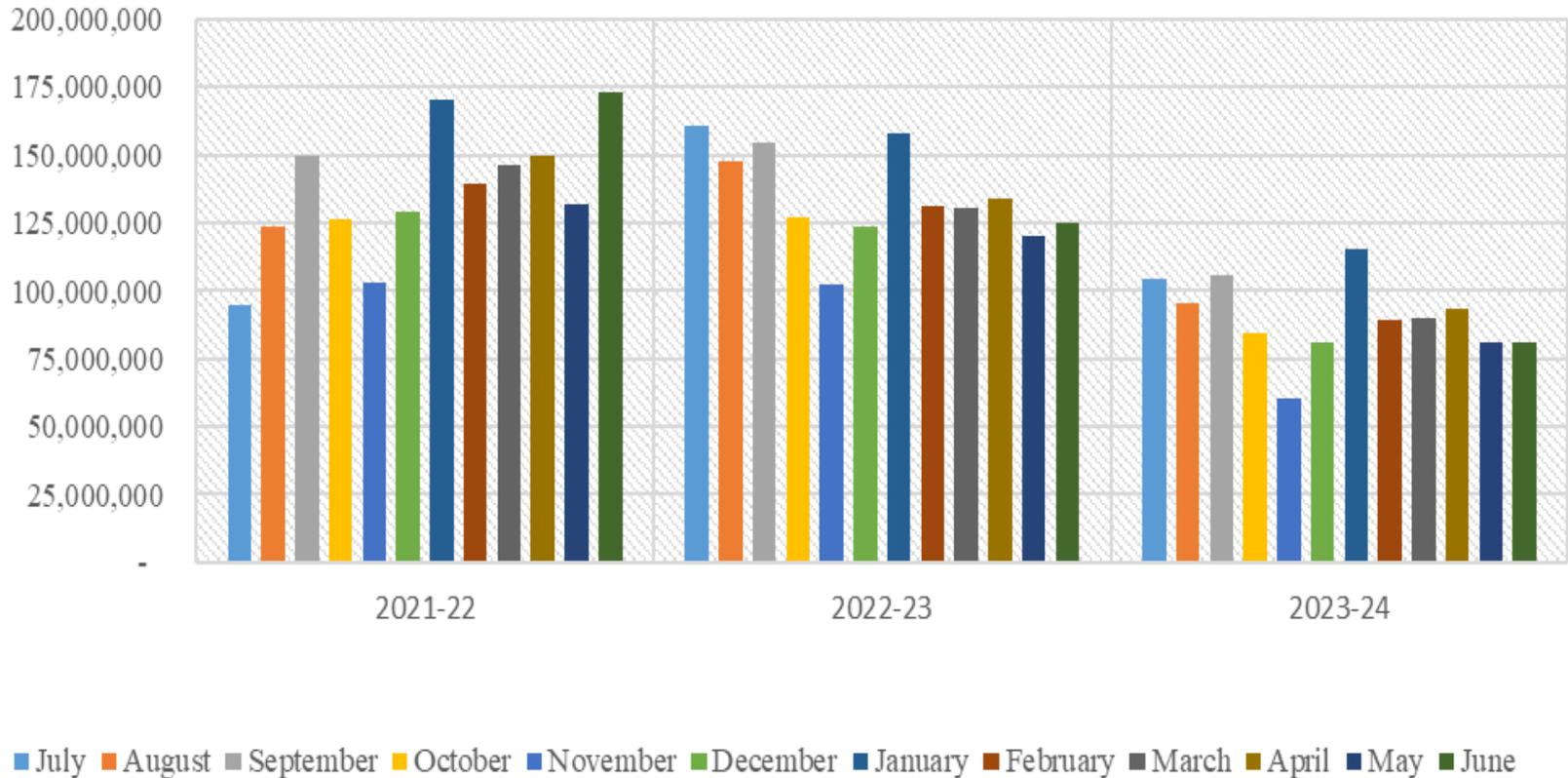
General Fund Multi-Year Projections

NO CARES/COVID

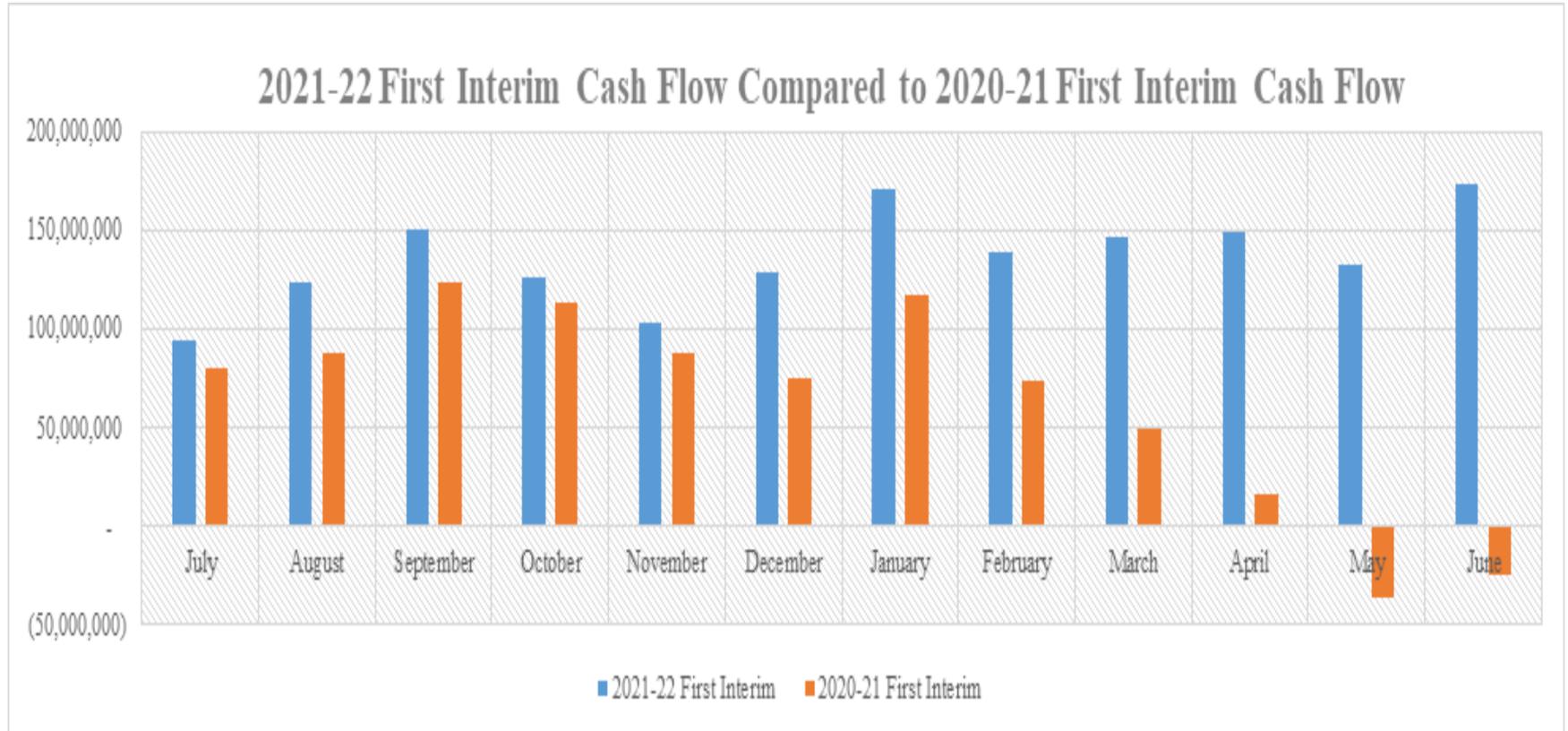
Description	Proposed 2021-22	Projected 2022-23	Projected 2023-24
Total Revenues	577,603,070	545,824,550	555,654,838
Total Expenditures	570,639,213	568,247,242	584,819,937
Excess/(Deficiency)	6,963,857	(22,422,692)	(29,165,099)
Other Sources/Uses	2,050,301	2,050,301	2,050,301
Net Increase/(Decrease)	9,014,158	(20,372,391)	(27,114,798)
Add: Beginning Fund Balance	110,862,766	119,876,924	99,504,533
Ending Fund Balance	119,876,924	99,504,533	72,389,735

Multi-Year Cash Flow Projection

2021-22 First Interim Cash Flow Projections



Cash Flow Comparison



GFOA Recommended Reserves

The Government Finance Officers Association (GFOA) recommends a prudent reserve of 17%, representing two months' average payroll – for the District two months' average payroll is approximately \$82M based on the 2021-22 First Interim Financial Report.

2021-22 Budget Calendar and Timeline

Date	Description
December 2021	Board Approval of First Interim Report (includes FCMAT Update and Budget Calendar)
January 2022	2021-22 P1 Attendance Report
January 2022	Governor's January Budget Proposal for 2022-23 Budget Year
January 2022	2022-23 Budget Development Process Underway
February 2022	Board Approval of 2020-21 Independent Audit Report
March 2022	Certificated & Classified Lay Off Notices as Needed
March 2022	Board Approval of Second Interim Report (includes FCMAT Update and Budget Calendar)
April 2022	2021-22 P2 Attendance Report
May 2022	Governor's May Revise Budget for 2022-23 Budget Year
May 2022	Board Approval of Third Interim Report
June 2022	Public Hearing for 2022-23 LCAP & Proposed Budget
June 2022	Adoption of 2022-23 LCAP & Proposed Budget (Subsequent Board Meeting)
July 2022	2022-23 Fiscal Year Begins
July 2022	2021-22 Annual Attendance Report
August 2022	45 Day Budget Revise, as Needed
September 2022	2021-22 Unaudited Actuals (Establishes Actual Beginning Balances For 2022-23)
September 2022	Board Approval of GANN Resolution
December 2022	Board Approval of First Interim Report and Revised Budget (will include FCMAT Update and Budget Calendar)

Fiscal Crisis Management Assistance Team (FCMAT) Fiscal Health Risk Analysis Update

- Fiscal Health Risk Analysis conducted October 2018
- 60 deficiencies were identified
- Provided recommended corrective actions
- Matrix used to track District’s progress in implementing corrective actions
- Regular updates presented with Interim Financial Reports
- Matrix is available on District website

FCMAT Updates Presented	Number Identified FCMAT Findings	FCMAT Findings Updated this period	FCMAT Findings Completed this period	FCMAT Findings Completed	FCMAT Findings Remaining
February 28, 2019	60	28	0	0	60
April 11, 2019	60	18	18	18	42
June 13, 2019	60	23	1	19	41
July 23, 2019	60	10	0	19	41
November 20, 2019	60	31	7	26	34
December 19, 2019	60	0	0	26	34
March 19, 2020	60	26	1	27	33
May 8, 2020	60	36	*1	26	34**
December 10, 2020	60	28	1	27	33
March 18, 2021	60	21	3	30	30
May 20, 2021	60	20	0	30	30
September 16, 2021	60	8	0	30	30
December 16, 2021	60	28	4	34	26

*one item was moved to "completed" status while another item was moved from "complete" to "in progress"

**two items were moved from "completed" status to "in progress" during the May 8, 2020 update.

The next update will be presented with 2021-22 2nd Interim.

COVID 19 FUNDING SOURCES

Resc	Description	Award	Expiration Date
3220	Coronavirus Relief	34,085,392	5/31/2021
7388	SB117	666,159	NA
7420	Learning Loss Mitigation	3,497,424	6/30/2021
7422	AB 86 In Person Instruction	13,663,701	9/30/2024
7425	AB 86 ELO	13,150,213	9/30/2024
7426	ELO Grant: Paraprofessional Staff	2,841,060	9/30/2024
3210	ESSER I	15,877,983	9/30/2022
3215	GEER I	2,950,972	9/30/2022
3212	ESSER II	68,709,493	9/30/2023
3213	ESSER III	123,537,980	9/30/2024
3214	ESSER III, Learning Loss	30,884,496	09/30/2024
3216	ELO Grant: ESSER II State Reserve	4,223,222	09/30/2023
3217	ELO Grant: GEER II	969,267	09/30/2023
3218	ELO Grant: ESSER III State Reserve Emergency Need	2,753,051	09/30/2024
3219	ELO Grant: ESSER III State Reserve Learning Loss	4,745,785	09/30/2024
Total Allocation		322,556,198	

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 - Approved Fiscal Recovery Plan
 - Structural deficit of **(\$19.5M)** in 2022-23 and **(\$26.2M)** in 2023-24
 - Cash Flow continues to diminish rapidly
 - Enrollment Decline
 - Unsettled negotiations for both certificated and classified bargaining units
 - Proposed State Budget
 - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
 - Stay and Rescind Authority

5 Year Multi Year Projection

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Total Expenditures	715,746,748	618,584,156	635,156,851	653,537,258	668,329,005
Excess/(Deficiency)	(4,401,442)	(21,509,142)	(28,251,549)	(32,828,670)	(50,261,626)
Other Sources/Uses	2,050,301	2,050,301	2,050,301	2,050,301	2,050,301
Net Increase/(Decrease)	(2,351,141)	(19,458,841)	(26,201,248)	(30,778,369)	(48,211,325)
Add: Beginning Fund Balance	125,906,717	123,555,577	104,096,736	77,895,487	47,117,118
Ending Fund Balance	123,555,577	104,096,736	77,895,487	47,117,118	(1,094,207)
Components of Ending Fund Balance					
Cash Revolving/Stores	329,082	329,082	329,082	329,082	329,082
Reserve for Economic Uncertainty - 2%	14,273,929	12,330,677	12,662,131	13,029,739	13,325,574
Restricted Programs	6,907,233	6,907,233	6,907,233	6,907,233	6,907,233
Other Assignments	48,026,778	28,567,936	2,366,688	0	0
Unappropriated Fund Balance	54,018,555	55,961,807	55,630,353	26,851,063	(21,656,097)
TOTAL ENDING FUND BALANCE	123,555,577	104,096,735	77,895,487	47,117,118	(1,094,207)
<i>Unappropriated Percent</i>	<i>7.5%</i>	<i>9.0%</i>	<i>8.8%</i>	<i>4.1%</i>	<i>-3.2%</i>

Potential Future Risk/Opportunity

Risks

- Significant decline in enrollment
- Uncertainty regarding the State Budget and fiscal impact on K12 Districts
- Future salary settlements

Opportunities

- Improved State Budget and funding for K12 Districts
- Recover enrollment
- Fiscal Recovery Plan sufficient to restore the District's fiscal stability

The Governor's 2022-23 January Budget proposal will provide additional information

Summary

- District has implemented more than \$50 million in ongoing and 1X reductions
- 2/4/21 Board Approved Fiscal Recovery Plan \$4.5M
- A \$26.2 million ongoing solution is required to achieve fiscal solvency
 - Fiscal Recovery Plan needed by December 15th
- Next reporting period is Second Interim in March 2022

Approve 2021-22 First Interim Budget